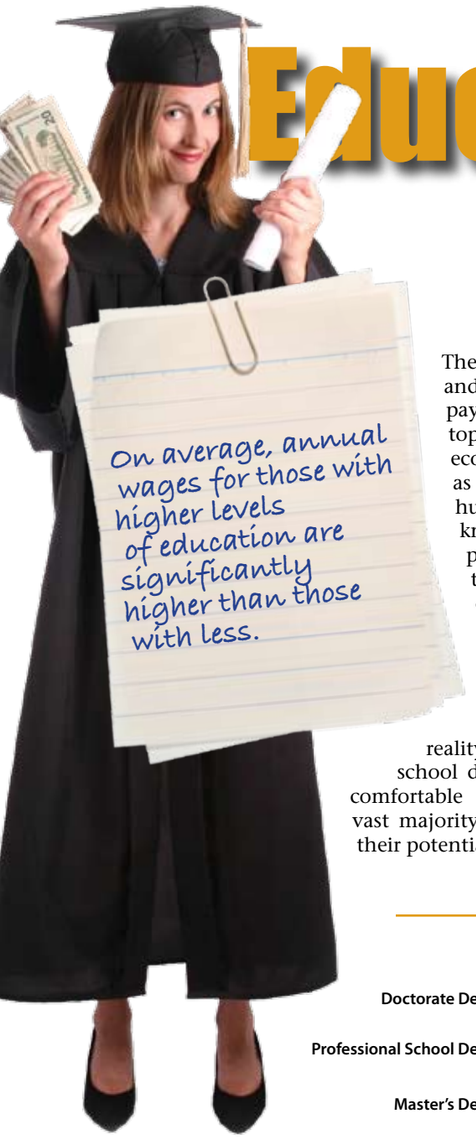
Education Pay$



The idea that education pays, and that more education pays even more, is a frequent topic on these pages. Basic economic theory argues that as individuals increase their human capital—their stock of knowledge and skills—their productivity and, therefore, the level of wages they can command, also rises.

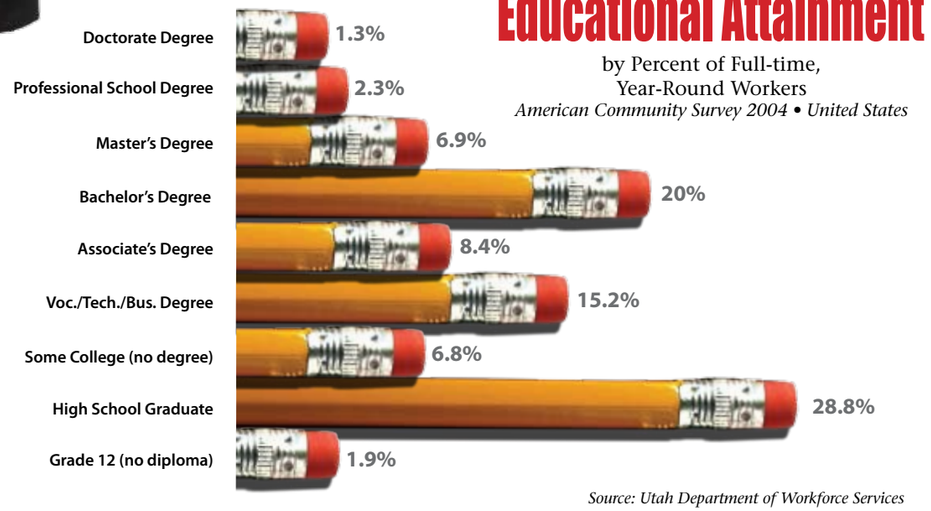
Of course, there are all kinds of difficulties when trying to apply abstract, yet elegant, theories to reality. Yes, there are some high school dropouts who make a very comfortable living. However, for the vast majority of people who drop out, their potential average annual wages are significantly lower for the rest of their lives than those lucky exceptions.

This last point becomes crystal clear with even a quick glance at the relevant statistics. Using data from the American Community Survey (ACS) it is possible to take a snapshot of the American economy and see average annual wages for year-round, full-time workers—people who worked 50-52 weeks for 35 or more hours per week—by educational attainment level for 2004.

Looking at the results of this tabulation, it is obvious that, on average, annual wages for those with higher levels of education are significantly higher than those with less. Moreover, there is an orderly progression of increasing wages right up the education scale, with average annual wages reaching its maximum with those who have a professional school degree, such as a law degree.

Educational Attainment

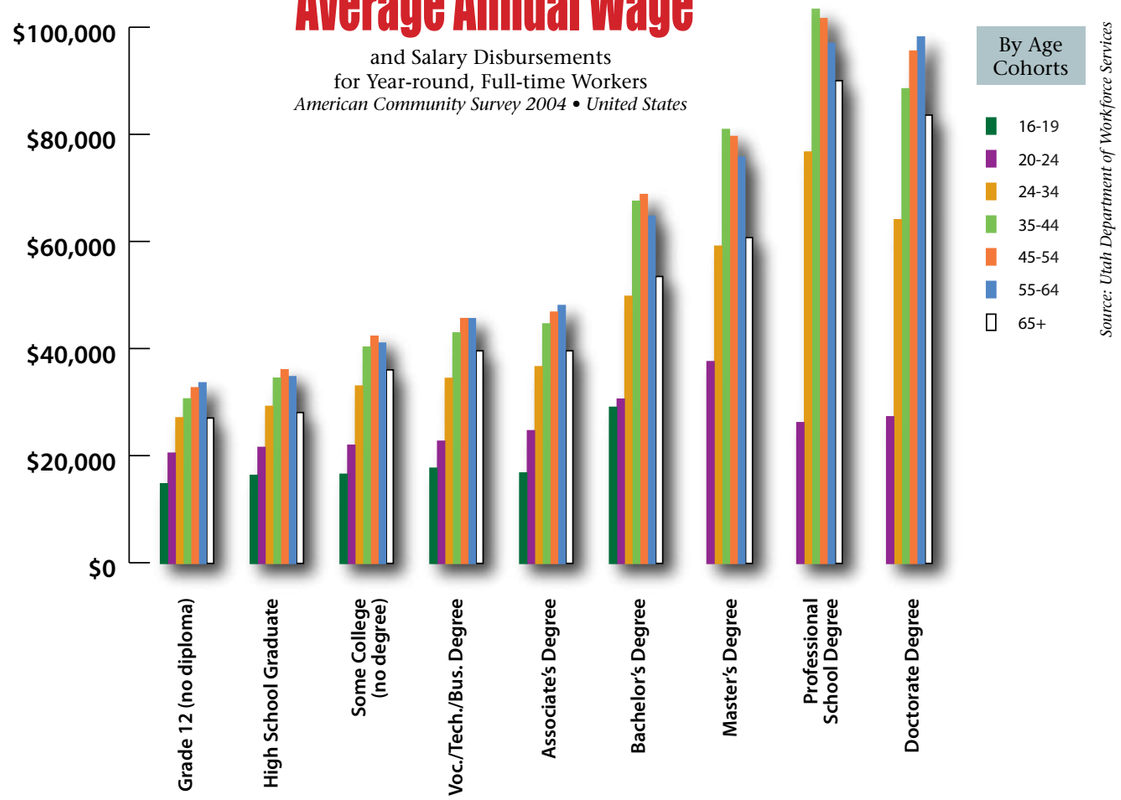
by Percent of Full-time, Year-Round Workers
American Community Survey 2004 • United States



Source: Utah Department of Workforce Services

Average Annual Wage

and Salary Disbursements
for Year-round, Full-time Workers
American Community Survey 2004 • United States



Source: Utah Department of Workforce Services

However, there is a more interesting way to look at this data. We can take the same educational attainment levels, but look at average annual wages by age cohort. This allows us, for example, to compare what a 16-year-old with a high school degree is making compared with a 45-year-old with the same level of education. This approach also provides some interesting insights into the impact of education on long-term earnings potential. For example, among high school dropouts, by the time they are 25 years old their lifetime annual wages potential is basically maxed out. That is to say, those at the same level of education who are 45, or even 55, don't make much more per year than the 25-year-old.

On the other hand, those people with a master's degree can look forward to significant increases in their annual wages over time. A 24-year-old may net an average annual wage of just below $40,000 a year to begin with, only to see it rise to nearly $80,000 by his late thirties. The situation is similar for other graduate degrees. This appears to suggest that workers with graduate degrees see gains not only from their education but also from their work experience in a way that those with lower levels of education don't.

A final point to remember: human capital development—just a fancy way of saying increasing your level of knowledge and skills—is just as important to you as it is to the state and the nation. Improving your skills and education is crucial in creating the economic foundation from which the state and the nation can grow and prosper, not to mention, you might enjoy the higher wages you can command.